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**From:**

**Sent:** Wednesday, December 30, 2009 8:48:54 AM

**To:**

**Cc:**

**Subject:** RE: Foreign withholding issue

The Service can resolve the section 1446 withholding liability by entering into a settlement agreement with the partnership entity (signed by any person with authority under State law to bind the partnership entity). The Service may collect and process that case for closure. If there are no other partnership items to be resolved with the partnership entity, then the agreement with the entity is, for purposes of section 6229(f), a complete agreement.

If the adjustment to section 1446 withholding liability gives rise to tax consequences to the individual partners, then the section 1446 withholding liability needs to be included in the FPAA and/or the Service can resolve the issue with the partners through settlement agreements. For purposes of section 6229(f), if the section 1446 withholding liability is the only partnership item being adjusted, then agreements with the individual partners would be complete settlement agreement; otherwise, they would be partial.